

Message Text

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TAGS: ENRG, ETRD, JA

SUBJECT: PROPOSED JAPANESE PREPAYMENT FOR URANIUM ENRICH-
MENT SERVICES

1. DEPARTMENT HAS RECEIVED REPORTS OF CONCERN IN OTEHR
COUNTRIES ABOUT THE JAPANESE PROPOSAL TO PREPAY TO USG
\$1 BILLION FOR ALREADY CONTRACTED URANIUM ENRICHMENT
SERVICES. KNOWLEDGE OF THIS PROPOSAL IS WIDESPREAD, AS
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PRIME MINSITER FUKUDA RECENTLY MADE PUBLIC REFERENCE
TO IT. FOLLOWING IS BACKGROUND INFORMATION ON THIS PRO-
POSAL WICH MAY ASIST POSTS IN CLARIFYING FOREIGN UNDER-
STANDING OF ITS CHARACTER AND ALLAYING FEARS THAT IT COULD
HAVE PREJUDICIAL EFFECTS ON INTERESTS IN THE EC AND
ELSEWHERE.

2. THE JAPANESE EVINced INTEREST IN SUCH A PREPAYMENT SEVERAL WEEKS AGO. MITI DIRECTOR OF NUCLEAR ENERGY YAMOMOTO CAME TO WASHINGTON APRIL 10-12 FOR PRELIMINARY DISCUSSIONS WITH STATE, TREASURY AND DOE. HE EXPLAINED GOJ'S DESIRE TO PREPAY \$1 BILLION FOR URANIUM ENRICHMENT SERVICES OUT TO THE MID-80'S, ESSENTIALLY FOR BALANCE OF PAYMENTS REASONS. ESSENTIAL POINT TO NOTE IS THAT THE USG HAS ALREADY CONTRACTED WITH THE JAPANESE TO PROVIDE THESE

SERVICES. NOTHING IN THE GOJ PROPOSAL, THEREFORE, WOULD WORK AGAINST INTERESTS IN OTHER COUNTRIES OR IMPLY CHANGES OR REDUCTIONS IN GOJ COMMITMENTS WITH OTHER COUNTRIES FOR SIMILAR SERVICES. LIKewise, JAPANESE PROPOSAL FORESEES NO CHANGES IN ALREADY PLANNED SOURCING OF URANIUM ORE SUPPLIES (LARGELY CANADIAN), OR IN THE TIMING OVER THE NEXT SEVERAL YEARS OF ACTUAL DELIVERY OF ENRICHMENT SERVICES OR US EXPORT TO JAPAN OF THE ENRICHED URANIUM ITSELF. TIMING OF THE \$1 BILLION PAYMENT IS THE SOLE ELEMENT OF THE PROPOSAL.

3. DISCUSSIONS AMONG USG AGENCIES AND BETWEEN USG AND GOJ ARE CONTINUING, AND NO DECISION HAS YET BEEN REACHED ON WHETHER A PREPAYMENT WILL BE ACCEPTED. IF IN THE END THE DECISION IS AFFIRMATIVE, IT IS ALREADY UNDERSTOOD THAT THE USG WOULD NOT BE COMMITTING ITSELF WITH RESPECT TO THE FINAL PRICE OF ENRICHMENT SERVICES TO BE PROVIDED IN THE FUTURE. SHOULD THE PRICE OF SUCH SERVICES RISE BETWEEN TIME OF LIMITED OFFICIAL USE

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ANY PREPAYMENT AND ACTUAL DELIVERY OF THE ENRICHED URANIUM INVOLVED, THE JAPANESE WOULD BE REQUIRED TO PAY THE DIFFERENCE.

4. JAPANESE INTEREST IN MAKING THIS LARGE PREPAYMENT STEMS FROM THEIR DESIRE TO REDUCE JAPAN'S EXTERNAL SURPLUSES, ESPECIALLY THEIR CURRENT ACCOUNT SURPLUS. IN DISCUSSIONS WITH YAMAMOTO AND EMBASSY OFFICIALS, WE HAVE POINTED OUT THAT BECAUSE PAYMENT FOR FUTURE SERVICES IS INVOLVED, UNDER US METHOD OF KEEPING PAYMENTS ACCOUNTS, THERE WOULD BE NO EFFECT ON OUR IMMEDIATE CURRENT ACCOUNT, BUT THAT PREPAYMENT WOULD SHOW UP IN OUR CAPITAL ACCOUNT. THUS, WHILE THE US MIGHT HAVE INTEREST IN RECEIVING PREPAYMENT FROM THE STANDPOINT OF IMPROVING CAPITAL ACCOUNT, THE IMPACT ON THE US CURRENT ACCOUNT OF SUCH A PREPAYMENT WOULD BE NO DIFFERENT THAN IF NO PREPAYMENT WERE TENDERED. CHRISTOPHER

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